

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Proposed Policies and Programs
Governing Energy Efficiency, Low-Income
Assistance, Renewable Energy and Research
Development and Demonstration.

Rulemaking 98-07-037
(Filed July 23, 1998)

**ADMINISTRATIVE LAW JUDGE'S RULING
ON SCHEDULE FOR EVALUATION REPORTS**

By Decision (D.) 01-03-073, dated March 27, 2001, the Commission adopted program incentives for demand-responsiveness and self-generation, pursuant to Public Utilities Code Section 399.15(b).¹ The demand-responsiveness programs are administered by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE). As directed by the Commission, SDG&E contracts with the San Diego Regional Energy Office to provide administrative services for its self-generation program, while PG&E, SCE and Southern California Gas Company (SoCal) administer the self-generation programs within their service territories.

¹ D.01-03-073 has subsequently been corrected by D.01-04-048 and modified by D.01-07-028, D.02-02-026 and D.02-04-004, in response to petitions for modification. However, none of these modifications have altered the reporting requirements addressed by today's ruling.

In Section 4.8 of the decision, the Commission articulated the following expectations regarding program evaluation:

“For the residential and small commercial demand-responsiveness pilots, SDG&E and SCE will each conduct a process evaluation during 2001 and an energy savings and peak demand savings impact study at the end of 2002. For the interactive and cost information pilot program, PG&E or its evaluation contractor will contact site users and non-users to discuss their satisfaction with the information on the site and suggest potential improvements. Program administrators for the self-generation program are required to perform program evaluations and load impact studies to verify energy production and system peak demand reductions....They are also required to conduct an independent analysis of the relative effectiveness of the utility and non-utility administrative approaches we adopt today.

“...program administrators are required to outsource to independent consultants or contractors these evaluation activities. Energy Division shall assist program administrators in the development of the scope of work, selection criteria and the evaluation of submitted proposals to perform these program evaluations. The assigned Administrative Law Judge, in consultation with Energy Division and the program administrators, shall establish a schedule for filing the required evaluation reports. Energy Division should hold a workshop with program administrators as soon as practicable to develop scheduling proposals for this purpose.”²

Program administrators, in consultation with the Energy Division, developed a Request For Proposal (RFP) for the self-generation program evaluation consultant. The final RFP was issued on August 27, 2001. The Working Group discussed the scope of evaluation work, scheduling and

² D.01-03-073, p. 35.

selection of the evaluation consultant at its regular meetings from June to October, 2001.³ On October 31, 2001, Regional Economic Research (RER) was selected to perform the evaluation studies for the self-generation study.

RER will submit six separate reports between now and April 15, 2005, as summarized in Attachment 1. I have reviewed the materials prepared by the program administrators and RER regarding the scope and schedule for these reports. Their preference would be to submit the report on utility/non-utility administrative approaches at the end of 2003. However, I agree with Energy Division that this report deliverable should be submitted no later than August 1, 2003, so that the Commission has ample opportunity to review the results and incorporate them into program planning for the remaining term of funding. Accordingly, this one modification is incorporated into the adopted schedule for report deliverables. (See Attachment 1.)

Attachment 1 also contains the program administrators' proposed outline for the first-year process evaluation that will be submitted by June 28, 2002. Energy Division has reviewed this material and discussed it with program administrators, and finds it to be responsive to the Commission's direction in D.01-03-073. For the subsequent report deliverables, the program administrators should prepare proposed outlines in close consultation with Energy Division. Copies should be submitted to Energy Division, with a copy to me, within 120 days before the due dates for the reports. Program administrators should also

³ In D.01-03-073, the Commission established a Working Group to further develop some of the implementation details for the self-generation program. The Working Group is comprised of program administrators, the California Energy Commission and Energy Division staff.

submit any subsequent substantive revisions to the outline and report drafts to Energy Division, for review and consultation.

Attachment 2 presents the program administrators' proposed evaluation criteria for determining the degree to which the Commission's goals are being met by the self-generation program. Energy Division concurs with these criteria. However, I note that criteria #5 (cost-effectiveness) involves both the development of a cost-effectiveness methodology and the application of that methodology to the self-generation program during the evaluation process. The document is not clear on the division of labor between RER, the evaluation consultant, and the consultant that Energy Division was directed to hire under Section 4.7 of D.01-03-073 to develop "a cost-effectiveness methodology that can be used on a common basis to evaluate all programs that will remove electric load from the centralized grid, including energy efficiency, load control/demand-responsiveness programs and self-generation."⁴ We leave it to Energy Division to determine whether both tasks should be performed by the (RER), or whether a different consultant should develop the cost-effectiveness methodology, for application by RER to the self-generation program. This determination should be clearly reflected in the contract with RER.

For the demand-responsiveness programs, Energy Division recommends the schedule presented in Attachment 3, which I adopt today on an interim basis. However, the program administrators and Energy Division have not finalized the scope of work for these studies. Energy Division should meet with program

⁴ D.01-03-073, pp. 34-35.

administrators without delay and submit a summary outline for these studies and final schedule within 30 days from the date of this ruling.

For both the self-generation and demand-responsiveness programs, program administrators should provide Energy Division with timely, periodic updates on program progress, upon request.

IT IS RULED that:

1. The schedule presented in Attachment 1 for the self-generation evaluation report deliverables is adopted.

2. The first-year process evaluation report outline for the self-generation program, as presented in Attachment 1, is approved.

3. As discussed in this ruling, the program administrators shall prepare proposed outlines for the subsequent self-generation evaluation reports in close coordination with Energy Division. Copies shall be submitted to Energy Division via electronic and US mail, with a copy to me, within 120 days before the due dates for the reports. Program administrators shall also submit any subsequent substantive revisions to the outline and report drafts to Energy Division, for review and consultation.

4. The self-generation program evaluation criteria presented in Attachment 2 is approved subject to the caveat that Energy Division shall determine the division of labor between Regional Economic Research and the cost-effectiveness consultant hired pursuant to D.01-03-073, with respect to criteria #5.

5. The schedule for evaluation reports on the demand-responsiveness programs, as presented in Attachment 3, is adopted on an interim basis. As discussed in this ruling, Energy Division shall meet with program administrators without delay and submit a summary outline for these reports and final schedule within 30 days from the date of this ruling.

6. For both the self-generation and demand-responsiveness programs, program administrators shall provide Energy Division with timely, periodic updates on program progress, upon request.

Dated April 24, 2002, at San Francisco, California.

/s/ MEG GOTTSTEIN

Meg Gottstein
Administrative Law Judge

Attachment 1

**California Self Generation Program
Summary of Evaluation Report Deliverables**

Annual Program Evaluation Reports	Due Date	Compliance
First Year Incentives/Program Design Evaluation/Recommendations Report	June 28, 2002	Submitted in lieu of First Year Peak Operations Impacts; recommendations for program year 2002
Second Year Peak Operation Impacts Report	April 18, 2003	For energy production and system peak demand reductions occurring during program year 2002
Second Year Incentives/Program Design Evaluation/Recommendations Report	April 25, 2003	To provide recommendations on incentives or program designs that could improve peak load reduction for program year 2003
Utility/non-Utility Administrator Report	August 1, 2003	To provide an analysis of the relative effectiveness of the utility and non-utility administrative approaches during years 2001 & 2002
Third Year Peak Operation Impacts Report	April 16, 2004	For energy production and system peak demand reductions occurring during program year 2003
Fourth Year Peak Operation Impacts Report	April 15, 2005	For energy production and system peak demand reductions occurring during program year 2004
<i>Program funding ends</i>	<i>December 31, 2004</i>	

Notes:

Evaluation and Impacts Report durations from January 1 through December 31

First Year – 2001

Second Year – 2002

Third Year – 2003

Fourth Year - 2004

First-Year Incentives/Program Design Evaluation – Report Outline

- I. Executive Summary**
- II. Introduction/First Year Evaluation Work Plan**
 - A. Methodology/Approach***
 - B. Development of Program Evaluation Criteria***
 - C. Tracking System Review and Assessment***
 - D. Process Evaluation Tasks***
 - E. Impact Evaluation Tasks***
 - F. System Verification and Monitoring Plan***
- III. Program Sample Design**
 - A. Basis for Precision and Accuracy Requirements***
 - B. Estimation of Participation: Operational Status***
 - C. Sample Design for First and Second Year Program***
 - D. Refined Verification and Monitoring Cost Estimates***
- IV. First Year Process Evaluation**
 - A. Introduction/Overview***
 - B. Effectiveness of Implementation (Joint Delivery) Approach***
 - C. Program Operational Efficiency Aspects***
 - D. Program Acceptance and Satisfaction***
 - E. Program Awareness: Customer and Supply Channel Stakeholders***
 - F. Barriers to Program Participation (technical, administrative, regulatory, market, etc.)***
 - G. Effectiveness of Program Design upon Removing Market Barriers***

- H. Effectiveness of Program Design upon Leveraging Market Incentives*
- V. Participant Characterization (by customer class)
 - A. Program Administrator Data*
 - B. Participant Survey Design*
 - C. Participant Survey Results*
 - D. Recommended Additional Program Tracking Variables*
- VI. Other Incentives Program Participation
- VII. On-site Field Verification and Inspection Activities
- VIII. System Monitoring and Operational Data Collection addressing:
1) waste heat recovery, 2) reliability, and 3) fuel use requirements
- IX. System Operational Characteristics by Administrator Service Area
 - A. Solar PV*
 - B. Wind*
 - C. Fuel Cells (renewable and nonrenewable fueled assessed separately)*
 - D. Level 3 Technologies: Microturbines, IC Engines, gas turbines*
- X. First Year Program Recommendations

(END OF ATTACHMENT 1)

ATTACHMENT 2

California Self-General Program Evaluation Criteria

The stated rationale and objectives of the Self-Generation Program as addressed in the CPUC Decision #01-03-073 in Attachment 1 (Adopted Programs to Fulfill AB970 Load Control and Distributed Generation Requirements, March 26, 2001) include the following:

Rationale:

- **Encourage the deployment of distributed generation in CA to reduce the peak electric demand (demand for electricity and load during peak demand periods)**
- **Give preference to new (incremental) renewable energy capacity**
- **Ensure deployment of clean self-generation technologies having low and zero operational emissions**

Objectives:

- **Utilize an existing network of service providers and customers to provide access to self-generation technologies quickly**
- **Provide access at subsidized costs that reflect the value to the electricity system as a whole, and not just to individual consumers**
- **Help support continuing market development of the energy services industry**
- **Provide access through existing infrastructure, administered by the entities with direct connections to and trust of small consumers**
- **Take advantage of customers' heightened awareness of electricity reliability and cost**

The proposed Evaluation Criteria for determining the degree to which each of these goals are being met by the Program during each of the operations impacts and incentives/program design evaluation periods include:

1. Encourage the deployment of distributed generation in CA to reduce the peak electric demand

Criteria for Meeting Goal:

- **Increased customer awareness of available DG technology applications and Incentives Programs**

- Fully subscribed participation in program (i.e., total installed capacity, number of participants)
- Participants' demand for grid power during peak demand periods is reduced

2. Give preference to new renewable energy capacity

Criteria for Meeting Goal:

- Development and provision of substantially greater incentive levels (both in terms of \$ per watt and maximum percentage of eligible system cost).
- Provision of fully adequate lead-times for key Program Milestones (i.e., 90 day and 12 month)

3. Ensure deployment of clean self-generation technologies having low and zero operational emissions

Criteria for Meeting Goal:

- Maximum allocation of combined budget allocations for Level 1 and Level 2 technologies
- Successful installation of a high percentage of Level 1 and Level 2 projects are successfully installed with sufficient performance

4. Utilize an existing network of service providers and customers to provide access to self-generation technologies quickly

Criteria for Meeting Goal:

- Demonstration of customer delivery channels for program participation to include DG service providers and existing utility C-I customers' networks

5. Provide access at subsidized costs that reflect the value to the electricity system as a whole, and not just to individual consumers

Criteria for Meeting Goal:

- Demonstration that the combined Incentive level subscription, on an overall Statewide Program basis (i.e., the participant mix of Levels 1, 2 & 3 across Service Areas), provides an inherent generation value to the electricity system (avoided generation, capacity and T&D support benefits)

6. Help Support continuing market development of the energy services industry

Criteria for Meeting Goal:

- Quantifiable program impact on market development needs of the energy services industry
- Demonstrated Consumer Education and Program Marketing support as needed

- Tracking of the Energy Services Industry market activity and participation in the Program

7. Provide access through existing infrastructure, administered by the entities (i.e. utilities & SDREO) with direct connections to, and the trust of, small consumers

Criteria for Meeting Goal:

- Ensure that program delivery channels include communication, marketing, and administration of the program, providing outreach support to small consumers

8. Take advantage of customers' heightened awareness of electricity reliability and cost

Criteria for Meeting Goal:

- Utilize existing consumer awareness and interact with other consumer education/marketing support related to past energy issues to market the program benefits

(END OF ATTACHMENT 2)

ATTACHMENT 3

**Demand-Responsiveness Programs
Interim Schedule For Report Deliverables**

San Diego Gas & Electric Company/Southern California Edison Company	
Program Process Evaluation	December 6, 2002
Energy Savings and Peak Demand Savings Impact Study	February 28, 2003
Energy Savings and Peak Demand Savings Impact Study	February 28, 2004
Pacific Gas and Electric Company	
Program Process/Customer Response Evaluation – Program Year 2002	February 28, 2003
Program Process/Customer Response Evaluation – Program Year 2003	February 6, 2004

(END OF ATTACHMENT 3)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling on Schedule for Evaluation Reports on all parties of record in this proceeding or their attorneys of record.

Dated April 24, 2002, at San Francisco, California.

/s/ ERLINDA PULMANO
Erlinda Pulmano

N O T I C E

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